

Message Text

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12

ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 AGR-20 RSR-01 /185 W

----- 060394

R 130837 Z APR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3107

INFO AMEMBASSY BERN

AMBMSSY BONN 1011

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USEC MISSION BRUSSELS

USOECN MISSION PARIS

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PASS TREASURY AND FEDERAL RESERVE

E. O. 11652: N/ A

TAGS: EFIN, JA

SUBJ: REVISED BALANCE OF PAYMENTS OUTLOOK

REF: TOKYO A-17, JAN 9, 1973

SUMMARY: EQUILIBRIUM IN JAPAN'S BASIC BALANCE OF PAYMENTS
NOW BEING FORECAST FOR JFY 1973 IN VIEW OF VERY MODEST SURPLUS
FOR YEAR JUST ENDING MAR 31. UPWARD REVISION BEING MADE IN
SIZE OF NET LONG- TERM CAPITAL OUTFLOWS FORECAST
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OF CURRENT BALANCE REMAINS UNREVISED BECAUSE OF DIFFICULTY
IN DETERMINING AT THIS TIME IMPACT OF YEN APPRECIATION.

1. MOF IS REVISING FORECASTS FOR JFY 73 ON BASIS OF REVISED
JFY 72 FIGURES. WITH 11- MONTH DATA AVAILABLE, OFFICIALS
PREDICT SURPLUS ON BASIS BALANCE OF APPROXIMATELY \$300-\$400
MIL FOR JFY 72. THIS REPRESENTS A SHARP REDUCTION FROM GOVT' S
PREVIOUS ESTIMATE RELEASED JAN 6 OF \$2.4 BIL SURPLUS (SEE
REF AIR). PRIMARY REASON FOR REVISION IS LARGER THAN ANTICIPATED
NET OUTFLOWS OF LONG- TERM CAPITAL. EARLIER FORECAST HAD PLACED
THIS AT \$3.8 BIL BUT CURRENT PREDICTION IS FOR TOTAL OF NEARLY \$6
BIL. LONG- TERM LOANS TO FOREIGNERS (INCLUDING PRIVATE PLACEMENTS),
PORTFOLIO DISINVESTMENT BY FOREIGNERS AND DIRECT INVESTMENT
ABROAD ALL MUCH LARGER THAN PREVIOUSLY ANTICIPATED. SIZE OF
TRADE SURPLUS AND INVISIBLES DEFICIT EACH REVISED DOWNWARD BY
ABOUT \$600 MIL SO THAT ESTIMATE OF CURRENT ACCOUNT SURPLUS
UNCHANGED AT \$6.2 BIL.

2. REGARDING BOP ESTIMATE FOR JFY 73, MOF IS REVISING ESTIMATE
OF BASIC BALANCE FROM \$950 MIL SURPLUS FORECAST IN JAN TO
VIRTUAL EQUILIBRIUM. NET LONG- TERM CAPITAL OUTFLOWS WILL
CONTINUE IN ABOUT THE SAME AMOUNT AS IN JFY 72. CURRENT
ACCOUNT SURPLUS OF \$4,950 MIL PROJECTED IN JAN REMAINS UNREVISED
BECAUSE OF DIFFICULTIES IN ASSESSING IMPACT OF YEN REVALUATION.
PRESENT THINKING IS THAT IMPORTS WILL INCREASE (IN
DOLLAR TERMS) WHEREAS EXPORTS LIKELY TO REMAIN APPROXI-
MATELY UNCHANGED. PROSPECT IS ALSO FOR HIGHER INVISIBLES
DEFICIT. ON CAPITAL SIDE, MOF CONFIDENT THAT EXISTING
EXCHANGE CONTROLS WILL INHIBIT INFLOWS BUT OUTFLOWS WHICH
UNHINDERED BY CONTROLS WILL CONTINUE AT HIGH LEVEL. MOF
OFFICIAL POINTED OUT THAT ONCE BASIC BALANCE REACHES EQUIL-
IBRIUM LEVEL GOVT WOULD BE WILLING TO LOOSEN CAPITAL CON-
TROLS SO AS TO PERMIT LARGER INFLOWS IF THIS NECESSARY IN
ORDER TO MAINTAIN ROUGH EQUILIBRIUM IN BASIC BALANCE.
INGERSOLL

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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BRUSSELS
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